

MNQUMA LOCAL MUNICIPALITY
BUDGET AND TREASURY OFFICE



FINAL MTREF BUDGET 2017 – 2020
REPORT TO COUNCIL

Compiled By:



L. Manjingo
Chief Financial Officer

Signed by:



Z. Plata
Acting Municipal Manager

Recommended by:



Cllr. L. Mgandela
Portfolio Head: BTO

Endorsed by:



Cllr. T. Bikitsha
Executive Mayor

FINAL MEDIUM TERM REVENUE AND EXPENDITURE FRAME WORK BUDGET (MTREF) 2017 - 2020

1. Purpose

The purpose of this report is to present the Final MTREF budget for 2017 - 2020 to Council for approval.

2. Legal or statutory requirement

- 2.1 Section 215 of the Constitution of the Republic of South Africa, Act No 108 of 1996 states that; National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.
- 2.2 Section 16(1) of the MFMA, Act 56 of 2003 states that; the council of a municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.
- 2.3 Section 16(2) of the MFMA, Act 56 of 2003 states that; In order for a municipality to comply with subsection (1), the Mayor of the Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- 2.4 Section 21(2) of the MFMA states that; When preparing the annual budget, the mayor of a municipality must—
 - (a) take into account the municipality's integrated development plan;
 - (b) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
 - (c) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

3. Background exposition, facts and proposals

The municipality is required by Municipal Finance Management Act to adopt a budget process plan with clear time frames to be followed when compiling an annual budget. The process plan was adopted by council on the 31st August 2016.

A Draft MTREF budget was tabled to council on the 28th March 2017. It was submitted to National Treasury on the 03rd April 2017 for compliance with Circular 85 and for comments. It was further communicated to the various communities through the IDP, PMS and Budget roadshows conducted from the 03rd - 07th April 2017.

MFMA Circular 66 issued in March 2017 requires that the budget be submitted to council in two versions. Version 2.8 where only the Audited Actuals and approved budget for 2016-17 will be captured and Version 6.1 which is in line with mSCOA where only the 2017-2020 MTREF budget will be captured.

4. BUDGET ASSUMPTIONS

The draft budget is based on the following:

- Personnel expenditure increase for employees below Section 56 Managers has been provided for in the budget at 7, 4% based on salary and wage collective agreement.
- Personnel expenditure increase for Section 56 and Section 57 Managers is 6%.
- Personnel expenditure increase for Councilors is based on 4% increases for 2016/2017 as per gazette no 40519.

5. REVENUE PER FUNDING SOURCES:

GRANT	2017-2018	2018-2019	2019-2020
Equitable Share	227 129 000	233 395 000	236 441 000
Finance Management Grant	1 700 000	1 700 000	1 700 000
Municipal Infrastructure Grant	63 693 000	67 331 000	71 171 000
Expanded Public Works Programme	2 316 000	-	-
Integrated National Electrification Programme	5 000 000	10 870 000	10 000 000
Own Revenue	42 192 983	44 481 629	46 808 882
TOTAL	342 030 983	357 777 629	366 120 882

6. SUMMARY OF THE FINAL MTREF BUDGET FOR 2017-2020 AND EXPLANATORY NOTES
6.1 SUMMARY OF THE FINAL MTREF BUDGET

R thousand	Description	2017/18 Medium Term Revenue & Expenditure Framework		
		Budget Year 2017/18 R'000	Budget Year +1 2018/19 R'000	Budget Year +2 2019/20 R'000
Revenue By Source				
Property rates		19 472	20 622	21 817
Service charges - refuse revenue		4 100	4 100	4 100
Rental of facilities and equipment		3 203	3 436	3 627
Interest earned - external investments		5 661	5 995	6 343
Interest earned - outstanding debtors		5 383	5 701	6 031
Fines, penalties and forfeits		9 051	9 585	10 141
Licences and permits		1 015	1 075	1 138
Agency services		3 900	4 130	4 370
Transfers and subsidies		231 062	244 694	258 887
Other revenue		1 200	1 268	1 335
Gains on disposal of PPE		1 100	1 165	1 232
Total Revenue (excluding capital transfers and contributions)		285 147	301 772	319 020
Expenditure By Type				
Employee related costs		175 121	185 453	196 209
Remuneration of councillors		26 687	28 261	29 900
Debt impairment		11 893	12 595	13 325
Depreciation & asset impairment		113 084	119 643	126 582
Finance charges		940	995	1 053
Bulk purchases		9 039	9 572	10 127
Other materials		6 376	6 752	7 144
Contracted services		10 844	11 483	12 149
Other expenditure		44 248	46 658	49 113
Loss on disposal of PPE				
Total Expenditure		398 231	421 414	445 604
Surplus/(Deficit)		(113 084)	(119 642)	(126 584)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		68 776	78 345	81 456
Surplus/(Deficit) after capital transfers & contributions		(44 308)	(41 297)	(45 127)

6.2 EXPLANATORY NOTES FOR THE EXPENDITURE BUDGET

6.2.1 Personnel Budget

- a) Expenditure on Personnel has been prepared using the recently approved organogram taking into account the proposed posts that need to be filled. The budget for personnel is R201m.

6.2.2 Budget for non-cash items

These are non-cash items that are regulated by standards of Generally Recognized Accounting Practices (GRAP). They include depreciation and provision for bad debts.

6.2.3 Finance Charges

The finance lease budget includes vehicles purchased through a finance lease.

6.2.4 Bulk Purchases

Indigent subsidies for free basic electricity and alternative energy

6.2.5 Other Materials and Maintenance

R6m has been budgeted for road maintenance, street lights, community hall refurbishment etc.

6.2.6 Contracted Services

These include audit committee allowances, audit fees, insurance premiums, legal fees, registration and licensing and security function.

7. SUMMARY OF OPERATING PROJECTS FOR 2017-2020

OPERATING PROJECTS PER DIRECTORATE

DIRECTORATE	PROPOSED BUDGET 2017-2018	PROPOSED BUDGET 2018-2019	PROPOSED BUDGET 2019-2020
Office Of The Municipal Manager	200 000	211 600	224 084
Local Economic Development	764 000	808 312	856 002
Strategic Management	2 987 000	3 160 246	3 346 701
Infrastructural Planning And Development	6 000 650	3 898 360	4 128 363
Community Services	1 672 640	1 769 653	1 874 063
Budget And Treasury	4 526 461	4 788 996	5 071 546
Corporate Services	3 235 000	3 422 630	3 624 565
TOTAL PER DIRECTORATE	19 385 751	18 059 797	19 125 325

OPERATING PROJECTS PER FUNDING

FUNDING SOURCES	PROPOSED BUDGET 2017-2018	PROPOSED BUDGET 2018-2019	PROPOSED BUDGET 2019-2020
Equitable Share	12 185 101	12 891 837	13 652 455
Finance Management Grant	1 700 000	1 798 600	1 904 717
Municipal Infrastructure Grant	3 184 650	3 369 360	3 568 152
Expanded Public Works Programme	2 316 000		0
CAPITAL PROJECTS PER FUNDING	19 385 751	18 059 797	19 125 325

8. SUMMARY OF CAPITAL BUDGET FOR 2017-2020

The capital budget has been allocated such that service delivery directorates receive the better share than support directorates. The Capital budget has decreased from R 72 224 700 to R 68 776 350.

CAPITAL BUDGET PER DIRECTORATE

DIRECTORATE	PROPOSED BUDGET 2017-2018	PROPOSED BUDGET 2018-2019	PROPOSED BUDGET 2019-2020
Office Of The Municipal Manager	70 000	74 060	78 430
Local Economic Development	100 000	105 800	112 042
Strategic Management	107 000	113 206	119 885
Infrastructural Planning And Development	66 914 350	76 375 382	79 370 200
Community Services	695 000	735 310	778 693
Budget And Treasury	420 000	444 360	470 577
Corporate Services	470 000	497 260	526 598
TOTAL PER DIRECTORATE	68 776 350	78 345 378	81 456 426

CAPITAL BUDGET PER FUNDING SOURCES

FUNDING SOURCES	PROPOSED BUDGET 2017-2018	PROPOSED BUDGET 2018-2019	PROPOSED BUDGET 2019-2020
Equitable Share	3 268 000	3 457 544	3 661 539
Integrated National Electrification Plan	5 000 000	10 870 000	10 000 000
Municipal Infrastructure Grant	60 508 350	64 017 834	67 794 887
CAPITAL PROJECTS PER FUNDING	68 776 350	78 345 378	81 456 426

9. TARIFF STRUCTURE

Proposed increase in tariffs has been attached as per ANNEXURE 5

10. Staff implications

None

11. Financial implications

1. Operating income budget has increased from R 264 098 000 to R 285 147 000
2. Operating Expenditure budget has increased from R 393 904 000 to R 398 231 000
3. Capital Budget has decreased from to R 72 225 000 to R 68 776 000
4. Operating budget has a deficit of R 113 084 000 which is made by non-cash item (Depreciation).

12. Annexures

1. Final MTREF Budget 2017-2020 in A1 schedule template (A1 – A10 tables and supporting tables)
2. Audited Actuals from 2013 – 2016 and approved budget figures for 2016 - 2017
3. Extract from Circular 86 (Salary and Wage Collective Agreement)
4. Detailed Final Operating Projects MTREF budget for 2017 - 2020
5. Detailed Final Capital MTREF Budget for 2017 - 2020
6. Final Tariff Structure for 2017 - 2018

13. Recommendations

It is hereby recommended that Council approves the Draft MTREF Budget for 2017-2020.
It is further recommended that the following resolutions be taken by the council:

1. That in terms of circular 66 A1 Schedule Version 2.8 with the Audited figures for 2013-2016 and approved budget figures be noted by council for submission to Treasury.
2. That in terms of section 24 of the MFMA Act 56 of 2003, the Final annual budget of the municipality for 2017-2020 and Capital appropriations are approved as set out in the following tables:
 - 2.1 Budgeted Financial Performance by standard classification of revenue of R 282 831 000 and Expenditure of R 398 231 000 (A2).
 - 2.2 Budgeted Financial Performance by vote of revenue of R 285 147 000 and Expenditure of R 398 231 000 (A3).
 - 2.3 Budgeted Financial Performance of revenue by source of R 285 147 000 and Expenditure of R 398 231 000 (A4).

3. That the Financial Position, Cash flow and Service delivery targets are approved in the following tables:
 - 3.1 Capital Expenditure of R 68 776 000 (A5)
 - 3.2 Budgeted Financial Position (A6)
 - 3.3 Budgeted Cash flows (A7)
 - 3.4 Cash backed and accumulated surplus reconciliation (A8)
 - 3.5 Asset management (A9)
 - 3.6 Basic service delivery measures (A10)
4. That in terms of S24(2)(c)(i) of the MFMA Act 56 of 2003 and Section 74 and 75 of the Municipal Systems Act of 2000 as amended; the tariffs of rates and services that were used to prepare the estimates of revenue by source are approved with effect from 1 July 2017.
5. That in terms of section 24(2)(c)(iii) of the MFMA Act 56 of 2003, the measurable performance objectives for draft operating and capital budget by vote for each year of the MTREF as set out in supporting tables are approved.
6. That free basic package as set out in the budget is approved.
7. That in terms of section 24(2)(c)(v) of the of the MFMA Act 56 of 2003 the following policies are part of the budget process and were used in the preparation of the budget and were approved by council:
 - 7.1 Budget Policy
 - 7.2 Indigent Policy
 - 7.3 Property Rates policy
 - 7.4 Tariff Policy
 - 7.5 Borrowing Policy
 - 7.6 Supply Chain Management Policy
 - 7.7 Asset Management Policy
 - 7.7 Credit Control and Debt management Policy
 - 7.8 Funds and Reserves Policy
 - 7.9 Cash Management Policy
 - 7.10 Investments Policy